

July 11 1964
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Ganda Silver Mines, Limited

Suite 509, 25 Adelaide Street West
Toronto 1, Ontario
EM. 8-3725

Interim Progress Report to Shareholders

Considerable progress has been made by your Company since our last interim report. The Boerth exploration on our property 55 miles north of Kingston, Ontario, is shaping up most encouragingly, and we have also control of another very promising — and partially developed — property, this one in British Columbia.

The next stage of work on your Company's Boerth gold property will be to open up the Hattie B shaft and carry out a program of underground exploration by drifting, cross-cutting, diamond drilling, and bulk sampling.

We have arrived at this decision following an appraisal of results of the extensive diamond drilling completed from the surface over the past several months. Some 7,054 feet of drilling have been done so far in 47 holes and the average of gold values intersected, taken together with the many surface samples assayed, indicates the presence of a body of ore of profitable, commercial grade and tonnage. A more precise estimate of overall grade and tonnages will be possible as the underground program progresses.

In his detailed report on the surface diamond dilling results to date, your Company's Consulting Geologist A. C. A. Howe, P.Eng., notes that numerous high grade, narrow quartz veins have been found on the Boerth property — which now consists of 25 claims in three groups — spread over a belt 2,000 feet long and about 300 feet wide. The gold values appear to be controlled by a shear traversing the property along this belt.

THE HATTIE B SHAFT ZONE

While several of the veins systems have been probed by drilling and show much promise, most of the work has been concentrated in the area around the Hattie B shaft. Mr. Howe describes this zone as wedge-shaped, 600 feet long by 200 feet wide at the wide end. Channel samples of nine veins exposed in the old workings gave an uncut average of 0.56 ozs. per ton across 14 inches along a total sampled length of 334 feet of veins. Seven of these veins averaged 0.98 oz. per ton (uncut) across an average width of 15 inches for a total sampled length of 166 feet.

The 26 holes drilled in the Hattie B zone cut 11 veins averaging 0.40 oz. gold per tons or \$15.20 across 1.3 feet. The vertical depth below surface of the intersections varies from 25 to 200 feet.

The Hattie B shaft has an indicated depth of 120 feet, but may go deeper. It is inclined at 65 degrees with some limited drifting done at 75 feet. It is now planned to rehabilitate the shaft to 100 feet from which level the drifting and cross-cutting could be carried out.

In addition, of course, there are numerous other veins with high grades on the property which will be subject to later exploitation. Some 74 feet of sampling over an average width of 14 inches from six veins gave an average of 1.02 ozs. gold per ton for a value of \$38.76 per ton (on the basis of gold at \$38.00 per ounce Canadian).

Then there is the Webber shaft area located about 2,000 feet west of the Hattie B. This shaft and adjacent trenches have exposed a quartz vein within a shear zone five feet wide striking northeasterly. Mr. Howe conjectures that this may be the extension of the whear crossing the Boerth claim. The vein is exposed over a length of 134 feet and 13 samples averaged 0.47 ozs. per ton across 10 inches.

We are pleased by the results achieved so far and there is every reason to believe that the underground work should confirm the drill and surface values and provide sufficient tonnage to warrant a mining operation. The cost of the exploration program to date has amounted to \$37,708.

BRITISH COLUMBIA PROPERTY

Meanwhile, in order to diversify your Company's interest, negotiations have been concluded whereby we expect to gain control of an exceptionally promising gold-silver-lead-zinc-copper property in southern British Columbia. Some development has already been done on this property and your President and Consulting Geologist have had an opportunity of examining it closely. We can say, therefore, that we are greatly impressed by its potential. Indications are that it could be brought to early production at relatively modest cost.

We will report on this new move in greater detail very soon.

Shareholders should know also that we are now preparing the Annual Report and an announcement of the date of our Annual Meeting will be made shortly. It has been a very good year.

July 24, 1964

On behalf of the Board of Directors,

T. V. WILKINSON,
President

Ganda Silver Mines, Limited

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EM. 8-3725

Progress Report to the Shareholders

Diamond drilling on your Company's Boerth gold property has now reached the point where it can be reported that a significant zone of high gold values is indicated — a zone that so far shows a length of 300 feet and a width of 100 feet. It is open at both ends there's a distinct possibility that with further work it will be extended to 600 feet in length.

It has been the overall aim in your Company's current drilling program not to seek unrelated assays, but to try to define links between the numerous vein systems which were encountered in surface stripping and prospecting. As previous reports have shown, we have found a great many gold values on this property, both on the surface and in drilling. Some were very high, some were low. The job now is to delineate a zone or zones in which there is a concentration of these values sufficient in average grade and tonnage to warrant mining.

On the basis of the latest drilling report your Company appears to be now taking a long step in this direction.

Consulting Geologist A. C. A. Howe, P.Eng., who is in charge of the drilling program, notes in his current report that results obtained from hole G 29 confirm the presence of the high grade veins intersected in holes G 26 and G 27. Assay results received from G 29 give \$26.98 across 2.8 ft. in width. This result, taken in conjunction with assays of \$140.60 across 0.5 ft. and \$11.78 across 1.8 ft. in G 26, and \$10.60 across 0.5 ft. in G 27 — which holes are located 65 ft. east and 30 ft. west respectively of the G 29 — are indicative of a zone of high gold values, Mr. Howe reports. (Values given are based on the Canadian gold price of approximately \$38 per ounce.)

In addition to these drill core values, channel samples of veins No. 6 and No. 7 on the surface within the zone, averaged 0.77 oz. gold per ton across 1.0 ft., and 2.10 ozs. across 0.94 ft. The "nugget vein" averaged 1.69 ozs. over 0.4 ft.

The most significant factor here is that all the above values were encountered in a zone 300 ft. long by 100 ft. wide, open at both ends. About 200 ft. west of this zone are the series of veins, exposed in the open cuts and Hattie B. shaft, in which high grade values were also obtained.

The plan now is to spot hole G 34 between these two zones, since it appears probable that other parallel veins may occur in between — in which event the favorable zone would be extended to a length of 600 ft. Values cut in recent drilling have come from depths ranging from around 37 feet to 237 feet.

Shareholders will doubtless understand from these results why your Directors are greatly enthused by the progress being made. We have been getting consistently good drilling results to back up the earlier very encouraging surface values, and we now appear to be approaching the point where it may soon be possible to estimate tonnages and average grades for mining purposes. The G 34 hole should provide us with information that will bring your Company much closer to this objective.

Consideration is now also being given to opening up the old Hattie B. inclined shaft and drifts and conducting a sampling and possible drilling program underground. The shaft collar was rehabilitated last Fall. Channel samples taken from above the water level averaged 1.6 ozs. or \$60.80 in gold across 2.2 ft. to a depth of 20 feet.

Mr. Howe reports that the deepening of hole G 28 shows that the Hattie B. vein continues strongly to a depth of 200 feet. This vein has been exposed by the shaft. On surface, it appears to be limited in length due to the bands of limestone both north and south of the shaft. But no limestone was found in the G 28 hole, indicating that the vein has a greater length at depth. Mr. Howe recommended unwatering the Hattie B. shaft, which goes to a depth of about 120 feet. The cost would be roughly \$3,000.

CANADA'S SEARCH FOR GOLD

We have no doubt that shareholders will have noted the very intense search for new gold deposits now underway in many parts of Canada, and the attention that this widespread modern "gold rush" is receiving in the press. The latest discovery in the Senneterre district of Quebec — an area which has been prospected and explored many times over the years — has attracted a major staking rush for properties in the region. Gold is still being sought in northern Ontario, in Nova Scotia, in British Columbia and in the Arctic regions of the Northwest Territories where two or three important finds have been made in the past couple of years in this permanently frozen ground.

The fact is, many of Canada's older gold mines are beginning to die. Gold production is actually declining, especially in Ontario. In common with the entire industry, we view this decline with great misgivings, since it comes at a time when the world is critically short of the gold needed to meet the requirements of rapidly expanding world trade. Gold is still the only medium of exchange that nations can agree on. Our country's growth and prosperity are heavily dependent on foreign trade and it is our opinion that governments, at both the federal and provincial levels, are not doing enough to support the exploration, development and mining of gold.

In the United States, representations are now being made to Congress to permit a government subsidy direct to gold mines, of an amount which could, in effect, increase the price to these mines of up to \$70 per ounce — without altering the present monetary fixed rate of \$35 an ounce. There are a growing number of authoritative voices, however, who insist that the only solution to the world gold crisis is for Washington to increase the monetary price. The U.S. Administration continues to state its opposition, but the fact remains that the America gold stockpile was reduced by another \$100 million in February and now has barely \$3 billion remaining above the amount required to back the U.S. dollar. It seems clear that some action must be taken soon.

But increase or no — and your Company is not dependent on one — the Boerth gold property appears now to be nearing the threshold of an important gold discovery which lies not along the Arctic Circle but within a few hours drive of the Royal Canadian Mint in Ottawa. Your Directors intend to press forward the work that is showing such impressive results and we will continue to keep you informed of further progress — especially in regard to the key G 34 hole and others put down in this zone.

On behalf of the Board of Directors,

T. V. WILKINSON,

President

February 27, 1964

